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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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IN THE MATTER OF THE APPLICATION OF  
PALO VERDE UTILITIES COMPANY FOR AN  
EXTENSION OF ITS EXISTING CERTIFICATE  
OF CONVENIENCE AND NECESSITY.

DOCKET NO. SW-03575A-05-0307

IN THE MATTER OF THE APPLICATION OF  
SANTA CRUZ WATER COMPANY FOR AN  
EXTENSION OF ITS EXISTING CERTIFICATE  
OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-03576A-05-0307

PROCEDURAL ORDER

On February 2, 2006, the Arizona Corporation Commission ("Commission"), in Decision No. 68448, approved the application of Palo Verde Utilities Company, LLC, ("Palo Verde") and Santa Cruz Water Company, LLC ("Santa Cruz") (jointly "the Companies") to extend their Certificates of Convenience and Necessity to provide water and wastewater services in Pinal County.

On February 2, 2007, the Companies filed a request for a one-year extension of time, until February 2, 2008, to comply with the requirements outlined in Decision No. 68448.

On February 9, 2007, the Commission's Utilities Division ("Staff") filed a letter in this docket, requesting the Companies to file a statement from each of the developers in the extension area explaining why development has been delayed and demonstrating a continued need for service. Staff further requested that the Companies have the developers confirm in their respective statements that the Phase I Main Extension Agreements ("MXAs") will be filed by December 31, 2007.

Between March 21, 2007, and May 21, 2007, the Companies submitted developers' letters into the docket, which explained the status of the developers' projects and confirmed their continued need for water and sewer services in the extension area.

On May 18, 2007, the Companies filed a summary detailing the letters submitted by the developers in the extension area. The developers' letters requested an extension of time to file the MXAs until December 31, 2008, one year longer than the Companies requested in the instant matter.

1 On August 27, 2007, by Procedural Order, Staff was directed to provide an update or  
2 recommendations regarding the Companies' request for an extension of time to comply with Decision  
3 No. 68448.

4 On August 28, 2007, Staff filed a memorandum in this matter and stated that Staff did not  
5 oppose the Companies' request for extension of time until December 31, 2008, to file its Phase I  
6 MXAs and an extension of time until December 31, 2007, for the Companies to file an amended  
7 Designation of Assured Water Supply ("DAWS") and an amended Pinal County Franchise  
8 Agreement for the extension area.

9 Regarding the Phase I MXAs, Staff stated that due to a slow down in the market it was logical  
10 that negotiations between the developers and the Companies to finalize the agreements would also be  
11 slowed. However, Staff concluded that because a need for service exists and developers largely  
12 determine when an MXA will be executed, the Companies' and the developers' request for an  
13 extension of time until December 31, 2008 is reasonable.

14 Staff further stated that a review of the Arizona Department of Water Resources ("ADWR")  
15 process for granting a DAWS showed that it is not unusual for the DAWS process to take up to two  
16 years to be completed. Based on that information, Staff stated it does not object to an extension of  
17 time until December 31, 2007, for the Companies to file their DAWS with the Commission.

18 Staff also noted that although the Companies did not file the application for a Franchise  
19 Agreement to include the extension area until January 31, 2007, and the Commission's compliance  
20 due date was February 2, 2007, the Pinal County Board of Supervisors have given public notice that  
21 they will hear the Franchise issue on September 19, 2007. Staff concluded that based on the above  
22 information the Franchise Agreement will soon be finalized and that granting the Companies request  
23 for an extension of time until December 31, 2007 is reasonable. Further, the Companies docketed a  
24 letter from the Pinal County Board of Supervisors approving the issuance of a Franchise Agreement  
25 to include the extension area.<sup>1</sup>

26 Based on a review of the documents filed in this matter, the Companies' request to extend the

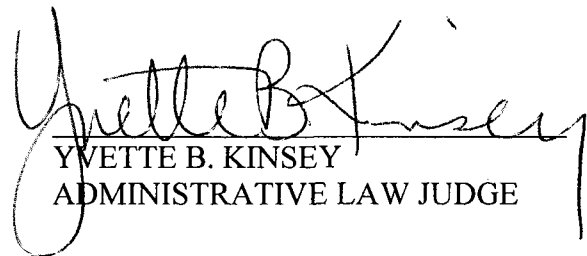
27 <sup>1</sup> The letter from the Pinal County Board of Supervisors was submitted in Docket No. W-03576A-07-0305 et. al. This  
28 docket involves a request by Santa Cruz and Palo Verde to amend Commission Decision No. 68498 (February 23, 2006),  
pursuant to A.R.S. § 40-252.

1 timeframes for compliance should be granted.

2 IT IS THEREFORE ORDERED that Palo Verde Utilities Company and Santa Cruz Water  
3 Company's request for an extension of time until December 31, 2008, to file the developers' Phase I  
4 Main Extension Agreements for the extension area is hereby granted.

5 IT IS FURTHER ORDERED that Palo Verde Utilities Company and Santa Cruz Water  
6 Company's request for an extension of time until December 31, 2007, to file its Designation for  
7 Assured Water Supply and its Franchise Agreement for the extension area is hereby granted.

8 DATED this 16<sup>th</sup> day of October, 2007.

9  
10  
11   
12 YVETTE B. KINSEY  
13 ADMINISTRATIVE LAW JUDGE

14 Copies of the foregoing mailed/delivered  
15 this 16<sup>th</sup> day of October, 2007 to:


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